



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Financial Statements Audit Report

City of Monroe

Snohomish County

For the period January 1, 2012 through December 31, 2013

Published December 29, 2014

Report No. 1013305





Washington State Auditor
Troy Kelley

December 29, 2014

Mayor and City Council
City of Monroe
Monroe, Washington

Report on Financial Statements

Please find attached our report on the City of Monroe's financial statements.

We are issuing this report in order to provide information on the City's financial condition.

Sincerely,

TROY KELLEY
STATE AUDITOR

TABLE OF CONTENTS

Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards	4
Independent Auditor's Report On Financial Statements	6
Financial Section.....	9
About The State Auditor's Office.....	41

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**City of Monroe
Snohomish County
January 1, 2012 through December 31, 2013**

Mayor and City Council
City of Monroe
Monroe, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Monroe, Snohomish County, Washington, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated November 3, 2014.

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed or permitted by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to

prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

In addition, we noted certain matters that we have reported to the management of the City in a separate letter dated December 17, 2014.

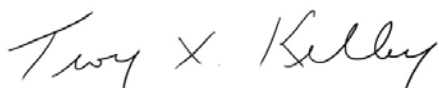
COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



TROY KELLEY
STATE AUDITOR

November 3, 2014

Independent Auditor's Report on Financial Statements

City of Monroe Snohomish County January 1, 2012 through December 31, 2013

Mayor and City Council
City of Monroe
Monroe, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Monroe, Snohomish County, Washington, for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 9.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City of Monroe has prepared these financial statements using accounting practices prescribed or permitted by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Monroe, for the years ended December 31, 2013 and 2012, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the City used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Monroe, as of December 31, 2013 and 2012, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

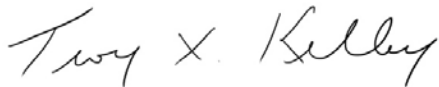
Supplementary and Other Information

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Liabilities are presented for purposes of additional analysis as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the

United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR

November 3, 2014

Financial Section

**City of Monroe
Snohomish County
January 1, 2012 through December 31, 2013**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2013
Fund Resources and Uses Arising from Cash Transactions – 2012
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2013
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2012
Notes to Financial Statements – 2013
Notes to Financial Statements – 2012

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2013
Schedule of Liabilities – 2012

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds*	001 General Fund	105 Streets	106 Transportation Concurrency Fee
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	7,941,030	2,700,960	0	0
30880	Beg Fund Bal-Unreserved	18,328,550	1,819,470	321,641	438,204
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	8,298,834	7,791,585	0	0
320	Licenses & Permits	572,967	402,245	170,722	0
330	Intergovernmental Revenues	1,658,607	558,085	359,501	0
340	Charges for Goods and Services	19,970,343	1,014,150	23,642	1,753,575
350	Fines & Penalties	802,122	802,122	0	0
360	Miscellaneous Revenues	305,860	86,355	3,917	2,230
Total Operating Revenues:		31,608,733	10,654,542	557,782	1,755,805
Operating Expenditures					
510	General Government	3,300,851	1,725,016	0	0
520	Public Safety	6,344,579	6,314,306	0	0
530	Utilities	9,863,472	0	0	0
540	Transportation	1,396,314	0	519,256	0
550	Natural and Economic Environment	907,073	876,619	0	0
560	Social Services	12,363	12,363	0	0
570	Culture And Recreation	1,142,041	1,065,335	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		22,966,693	9,993,639	519,256	
Net Operating Increase (Decrease):		8,642,040	660,903	38,526	1,755,805
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	8,218,252	33,772	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	8,592,025	220,000	151,096	0
Total Nonoperating Revenues:		16,810,277	253,772	151,096	
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	549	0	0	0
591-593	Debt Service	10,131,302	0	0	0
594-595	Capital Expenditures	4,340,955	30,249	0	0
597	Transfers-Out	8,602,969	168,136	1,407	82,638
Total Nonoperating Expenditures:		23,075,775	198,385	1,407	82,638
Increase (Decrease) in Cash and Investments		2,376,542	716,290	188,215	1,673,167
Ending Cash and Investments					
50810	End Fund Bal-Reserved	7,986,890	2,785,063	0	0
50880	End Fund Balance-Unreserved	20,659,232	2,451,657	509,856	2,111,371

The accompanying notes are an integral part of this Statement.

BARS Code		109 Tourism	114 Narcotic/Drug Buy Fund	117 REET	203 North Kelsey Debt Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	65,303	55,457	428,538	83,492
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	54,213	0	453,036	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	256	8,194	1,017	1,578
Total Operating Revenues:		54,469	8,194	454,053	1,578
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	30,273	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	30,454	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		30,454	30,273		
Net Operating Increase (Decrease):		24,015	-22,079	454,053	1,578
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	0	7,450,000
Total Nonoperating Revenues:					7,450,000
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	7,523,027
594-595	Capital Expenditures	0	0	0	0
597	Transfers-Out	20,000	0	803,788	0
Total Nonoperating Expenditures:		20,000		803,788	7,523,027
Increase (Decrease) in Cash and Investments		4,015	-22,079	-349,735	-71,449
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	69,318	33,378	78,803	12,043

The accompanying notes are an integral part of this Statement.

BARS Code		307 Capital Improvements CIP	317 Parks CIP Fund	318 Streets CIP Fund	319 North Kelsey Development
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	434,536	715,450	417,378	590,023
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	741,021	0
340	Charges for Goods and Services	0	164,860	49,818	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	1,591	4,299	2,670	5,153
Total Operating Revenues:		1,591	169,159	793,509	5,153
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	320,537	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	76,706	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:			76,706	320,537	
Net Operating Increase (Decrease):		1,591	92,453	472,972	5,153
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	7,107,212
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	118,826	525,516	125,000
Total Nonoperating Revenues:			118,826	525,516	7,232,212
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	0	169,469	982,269	243,868
597	Transfers-Out	0	0	0	7,450,000
Total Nonoperating Expenditures:			169,469	982,269	7,693,868
Increase (Decrease) in Cash and Investments		1,591	41,810	16,219	-456,503
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	436,127	757,260	433,597	133,520

The accompanying notes are an integral part of this Statement.

BARS Code		411 Water Utility	421 Sewer Utility	431 Stormwater Utility	441 Solid Waste Maint & Operations
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	954,111	1,865,478	337,578	118,643
30880	Beg Fund Bal-Unreserved	5,004,869	5,395,010	1,699,638	510,967
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	3,979,716	5,821,347	1,555,045	3,313,181
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	33,478	26,465	12,245	29,039
Total Operating Revenues:		4,013,194	5,847,812	1,567,290	3,342,220
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	2,617,864	2,925,793	1,244,323	3,075,492
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		2,617,864	2,925,793	1,244,323	3,075,492
Net Operating Increase (Decrease):		1,395,330	2,922,019	322,967	266,728
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	649,666	396,639	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	0	0
Total Nonoperating Revenues:		649,666	396,639		
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	549	0	0
591-593	Debt Service	635,228	1,868,248	104,799	0
594-595	Capital Expenditures	319,251	1,439,273	542,917	0
597	Transfers-Out	0	77,000	0	0
Total Nonoperating Expenditures:		954,479	3,385,070	647,716	
Increase (Decrease) in Cash and Investments		1,090,517	-66,412	-324,749	266,728
Ending Cash and Investments					
50810	End Fund Bal-Reserved	940,913	2,189,540	321,239	0
50880	End Fund Balance-Unreserved	6,108,584	5,004,536	1,391,228	896,338

The accompanying notes are an integral part of this Statement.

BARS Code		510 Information & Tech Services	520 Equipment & Fleet Management	530 Facilities Management
Beginning Cash and Investments				
30810	Beg Fund Bal-Reserved	65,450	1,847,810	51,000
30880	Beg Fund Bal-Unreserved	77,906	121,724	148,944
38800/58800	Prior Period Adjustments, net	0	0	0
Operating Revenues				
310	Taxes	0	0	0
320	Licenses & Permits	0	0	0
330	Intergovernmental Revenues	0	0	0
340	Charges for Goods and Services	386,891	830,248	1,077,870
350	Fines & Penalties	0	0	0
360	Miscellaneous Revenues	14,927	12,097	60,349
Total Operating Revenues:		401,818	842,345	1,138,219
Operating Expenditures				
510	General Government	497,966	0	1,077,869
520	Public Safety	0	0	0
530	Utilities	0	0	0
540	Transportation	0	556,521	0
550	Natural and Economic Environment	0	0	0
560	Social Services	0	0	0
570	Culture And Recreation	0	0	0
598	Intergovernmental Payments	0	0	0
Total Operating Expenditures:		497,966	556,521	1,077,869
Net Operating Increase (Decrease):		-96,148	285,824	60,350
Nonoperating Revenues				
370, 380, 395, 398	Other Financing Sources	0	30,963	0
391-393	Debt Proceeds	0	0	0
397	Transfers-In	600	435	552
Total Nonoperating Revenues:		600	31,398	552
Nonoperating Expenditures				
580, 596, 599	Other Financing Uses	0	0	0
591-593	Debt Service	0	0	0
594-595	Capital Expenditures	0	613,659	0
597	Transfers-Out	0	0	0
Total Nonoperating Expenditures:			613,659	
Increase (Decrease) in Cash and Investments		-95,548	-296,437	60,902
Ending Cash and Investments				
50810	End Fund Bal-Reserved	46,800	1,646,668	56,667
50880	End Fund Balance-Unreserved	1,008	26,429	204,179

The accompanying notes are an integral part of this Statement.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All funds*	001 General Fund	105 Streets	106 Transportation Concurrency Fee
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	6,207,776	751,701	0	0
30880	Beg Fund Bal-Unreserved	20,992,620	211,262	341,251	100,009
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	7,814,423	7,359,405	0	0
320	Licenses & Permits	425,876	278,397	147,479	0
330	Intergovernmental Revenues	1,185,825	658,694	354,539	0
340	Charges for Goods and Services	17,566,317	1,125,653	4,931	337,662
350	Fines & Penalties	836,976	816,686	0	0
360	Miscellaneous Revenues	361,597	233,013	2,502	531
Total Operating Revenues:		28,191,014	10,471,848	509,451	338,193
Operating Expenditures					
510	General Government	3,319,586	1,805,674	0	0
520	Public Safety	6,348,679	6,313,509	0	0
530	Utilities And Environment	9,766,719	0	0	0
540	Transportation	1,211,787	0	536,030	0
550	Economic Environment	845,966	815,810	0	0
560	Mental & Physical Health	4,520	4,520	0	0
570	Culture And Recreation	961,020	888,357	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		22,458,277	9,827,870	536,030	
Net Operating Increase (Decrease):		5,732,737	643,978	-26,579	338,193
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	5,148,776	101,179	3,460	0
391-393	Debt Proceeds	6,570,000	0	0	0
397	Transfers-In	11,211,516	2,921,714	5,000	0
Total Nonoperating Revenues:		22,930,292	3,022,893	8,460	
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	203,292	100,000	0	0
591-593	Debt Service	9,424,427	0	0	0
594-595	Capital Expenditures	8,385,267	12,244	0	0
597	Transfers-Out	11,583,697	0	1,489	0
Total Nonoperating Expenditures:		29,596,683	112,244	1,489	
Increase (Decrease) in Cash and Investments		-933,654	3,554,627	-19,608	338,193
Ending Cash and Investments					
50810	End Fund Bal-Reserved	7,941,030	2,700,960	0	0
50880	End Fund Balance-Unreserved	18,328,549	1,819,470	321,641	438,204

The accompanying notes are an integral part of this Statement.

BARS Code		109 Tourism	114 Narcotic/Drug Buy Fund	117 REET	203 North Kelsey Debt Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	60,712	70,261	509,228	498,616
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	48,348	0	310,981	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	20,290	0	0
360	Miscellaneous Revenues	251	76	2,328	704
Total Operating Revenues:		48,599	20,366	313,309	704
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	35,170	0	0
530	Utilities And Environment	0	0	0	0
540	Transportation	0	0	0	0
550	Economic Environment	30,156	0	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		30,156	35,170		
Net Operating Increase (Decrease):		18,443	-14,804	313,309	704
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	0	6,520,394
Total Nonoperating Revenues:					6,520,394
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	6,682,752
594-595	Capital Expenditures	0	0	0	0
597	Transfers-Out	13,853	0	394,000	253,470
Total Nonoperating Expenditures:		13,853		394,000	6,936,222
Increase (Decrease) in Cash and Investments		4,590	-14,804	-80,691	-415,124
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	65,303	55,457	428,538	83,492

The accompanying notes are an integral part of this Statement.

BARS Code		307 Capital Improvements CIP	317 Parks CIP Fund	318 Streets CIP Fund	319 North Kelsey Development
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	24,157	0	0	0
30880	Beg Fund Bal-Unreserved	415,855	714,841	602,814	22,716
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	72,592	0
340	Charges for Goods and Services	0	68,692	358,220	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	1,842	3,092	2,128	1,477
Total Operating Revenues:		1,842	71,784	432,940	1,477
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities And Environment	0	0	0	0
540	Transportation	0	0	267,207	0
550	Economic Environment	0	0	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	0	72,663	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:			72,663	267,207	
Net Operating Increase (Decrease):		1,842	-879	165,733	1,477
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	4,704,750
391-393	Debt Proceeds	0	0	0	6,570,000
397	Transfers-In	0	1,489	194,000	250,000
Total Nonoperating Revenues:			1,489	194,000	11,524,750
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	100,000
591-593	Debt Service	0	0	0	45,508
594-595	Capital Expenditures	7,317	0	545,168	598,321
597	Transfers-Out	0	0	0	10,215,090
Total Nonoperating Expenditures:		7,317		545,168	10,958,919
Increase (Decrease) in Cash and Investments		-5,475	610	-185,435	567,308
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	434,536	715,450	417,378	590,023

The accompanying notes are an integral part of this Statement.

BARS Code		411 Water Maintenance & Operations	421 Sewer Maintenance & Operations	431 Stormwater Capital Projects	441 Solid Waste Maint & Operations
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	1,655,377	3,190,019	467,879	118,643
30880	Beg Fund Bal-Unreserved	5,580,063	9,230,422	1,604,280	194,494
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	95,689
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	3,617,642	5,102,180	1,532,963	3,187,647
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	31,334	44,954	9,285	10,795
Total Operating Revenues:		3,648,976	5,147,134	1,542,248	3,294,131
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities And Environment	2,680,824	2,820,589	1,287,648	2,977,658
540	Transportation	0	0	0	0
550	Economic Environment	0	0	0	0
560	Mental & Physical Health	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		2,680,824	2,820,589	1,287,648	2,977,658
Net Operating Increase (Decrease):		968,152	2,326,545	254,600	316,473
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	149,998	174,037	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	0	0
Total Nonoperating Revenues:		149,998	174,037		
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	3,292	0	0
591-593	Debt Service	657,300	1,933,986	104,881	0
594-595	Capital Expenditures	1,267,562	5,589,330	82,543	0
597	Transfers-Out	469,749	133,927	102,119	0
Total Nonoperating Expenditures:		2,394,611	7,660,535	289,543	
Increase (Decrease) in Cash and Investments		-1,276,461	-5,159,953	-34,943	316,473
Ending Cash and Investments					
50810	End Fund Bal-Reserved	954,111	1,865,478	337,578	118,643
50880	End Fund Balance-Unreserved	5,004,869	5,395,010	1,699,638	510,967

The accompanying notes are an integral part of this Statement.

BARS Code		510 Information & Tech Services	520 Equipment & Fleet Management	530 Facilities Management
Beginning Cash and Investments				
30810	Beg Fund Bal-Reserved	0	0	0
30880	Beg Fund Bal-Unreserved	133,611	606,020	96,165
38800/58800	Prior Period Adjustments, net	0	0	0
Operating Revenues				
310	Taxes	0	0	0
320	Licenses & Permits	0	0	0
330	Intergovernmental Revenues	0	100,000	0
340	Charges for Goods and Services	430,152	654,041	1,146,534
350	Fines & Penalties	0	0	0
360	Miscellaneous Revenues	4,024	9,545	3,716
Total Operating Revenues:		434,176	763,586	1,150,250
Operating Expenditures				
510	General Government	465,936	0	1,047,976
520	Public Safety	0	0	0
530	Utilities And Environment	0	0	0
540	Transportation	0	408,550	0
550	Economic Environment	0	0	0
560	Mental & Physical Health	0	0	0
570	Culture And Recreation	0	0	0
598	Intergovernmental Payments	0	0	0
Total Operating Expenditures:		465,936	408,550	1,047,976
Net Operating Increase (Decrease):		-31,760	355,036	102,274
Nonoperating Revenues				
370, 380, 395, 398	Other Financing Sources	0	13,846	1,506
391-393	Debt Proceeds	0	0	0
397	Transfers-In	50,431	1,268,488	0
Total Nonoperating Revenues:		50,431	1,282,334	1,506
Nonoperating Expenditures				
580, 596, 599	Other Financing Uses	0	0	0
591-593	Debt Service	0	0	0
594-595	Capital Expenditures	8,928	273,854	0
597	Transfers-Out	0	0	0
Total Nonoperating Expenditures:		8,928	273,854	
Increase (Decrease) in Cash and Investments		9,743	1,363,516	103,780
Ending Cash and Investments				
50810	End Fund Bal-Reserved	65,450	1,847,810	51,000
50880	End Fund Balance-Unreserved	77,904	121,724	148,945

The accompanying notes are an integral part of this Statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds	621 Employee Sick Leave Reserve	622 Risk Management Reserve	631 Agency Fund
308	Beginning Cash and Investments	638,328	393,158	139,406	105,764
388 and 588	Prior Period Adjustments, net	0	0	0	0
310-360	Revenues	1,874	1,363	511	0
380-390	Other Increases and Financing Sources	480,497	0	0	480,497
510-570	Expenditures	0	0	0	0
580-590	Other Decreases and Financing Uses	447,824	47,578	0	400,246
Increase (Decrease) in Cash and Investments		34,547	-46,215	511	80,251
508	Ending Cash and Investments	672,875	346,943	139,917	186,015

The accompanying notes are an integral part of this Statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All funds	621 Employee Sick Leave Reserve	622 Risk Management Reserve	631 Agency Fund
308	Beginning Cash and Investments	361,690	65,721	161,747	134,222
388 and 588	Prior Period Adjustments, net	0	0	0	0
310-360	Revenues	817	145	672	0
370-390	Other Increases and Financing Sources	788,405	377,182	0	411,223
510-570	Expenditures	0	0	0	0
580-590	Other Decreases and Financing Uses	512,582	49,890	23,013	439,679
Increase (Decrease) in Cash and Investments		276,640	327,437	-22,341	-28,456
508	Ending Cash and Investments	638,328	393,158	139,406	105,764

The accompanying notes are an integral part of this Statement.

REPORTING

Note 1 - Summary of Significant Accounting Policies

The City reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Monroe was incorporated in 1902 and operates under the laws of the state of Washington applicable to a Mayor-Council form of government. The City is a general purpose government and provides general government services including public safety, streets, parks, planning, zoning, building permits and general administrative services. The City uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

A. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the City:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the City. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the City.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the City on a cost reimbursement basis.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others.

Agency Funds

These funds are used to account assets that the City holds for others in an agency capacity.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

In accordance with state law the City also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

C. Budgets

The City adopts annual appropriated budgets for all funds except Fiduciary Funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund 001	\$10,646,582	\$10,015,627	\$(630,955)
Contingency Fund 002	\$815,000	\$815,000	\$0
Donation Fund 008	\$5,550	\$3,785	\$(1,765)
Public Safety 800 MHz Equipment Fund 102	\$5,000	\$4,476	\$(524)
Street Fund 105	\$741,460	\$520,667	\$(220,793)
Transportation Concurrency Fund 106	\$82,638	\$82,638	\$0
Tourism/Lodging Tax Fund 109	\$80,613	\$50,454	\$(30,159)
Narcotics/Drug Buy Fund 114	\$40,500	\$30,273	\$(10,227)
Real Estate Excise Tax Fund 117	\$803,788	\$803,788	\$0
North Kelsey Debt Fund 203	\$7,523,027	\$7,523,027	\$0
General Capital Projects 307	\$0	\$0	\$0
Parks CIP Fund 317	\$302,954	\$246,175	\$(56,779)
Streets CIP Fund 318	\$2,109,680	\$1,302,806	\$(806,874)
North Kelsey Development Fund 319	\$8,108,541	\$7,693,868	\$(414,673)
Water Fund 411	\$4,225,965	\$3,833,477	\$(392,488)
Water CIP Fund 412	\$853,196	\$538,865	\$(314,331)
Sewer Fund 421	\$5,611,710	\$5,402,896	\$(208,814)
Sewer CIP Fund 422	\$1,759,834	\$1,707,960	\$(51,874)
Stormwater Fund 431	\$1,625,830	\$1,526,078	\$(99,752)
Stormwater CIP Fund 432	\$1,190,891	\$565,956	\$(624,935)
Solid Waste Fund 441	\$3,085,027	\$3,075,491	\$(9,536)
Revenue Bond Reserve Fund 450	\$100,000	\$100,000	\$0
Info Tech Services Fund 510	\$505,744	\$497,963	\$(7,781)
Fleet & Equipment Management Fund 520	\$1,198,393	\$1,170,177	\$(28,216)
Facilities Management Fund 530	\$1,258,969	\$1,077,870	\$(181,099)
Totals	\$52,680,892	\$48,589,317	\$(4,091,575)

Budgeted amounts are authorized to be transferred between departments within any fund or object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City's legislative body.

D. Cash

It is the City's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

E. Deposits

The City's deposits are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

F. Investments See Note 2, *Investments*.

G. Capital Assets

Capital assets are assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. The capital assets of the City are recorded as expenditures when purchased.

H. Compensated Absences

Upon separation or retirement, the amount of hours of accrued vacation payout are as follows:

Clerical, Public Works & Parks, Supervisors, Police Sergeants, and Non-represented employees	100 hours maximum paid
Police Guild	200 hours maximum paid

Upon separation or retirement, the amount of accrued sick leave paid out are as follows:

Non-represented employees hired before 1/1/13	75% of accrued sick leave paid
Non-represented employees hired after 1/1/13	No vested payments of accrued sick leave
Police Guild employees hired before 4/5/06	75% of accrued sick leave paid, with a maximum of 700 hours paid out
Police Guild employees hired after 4/5/06	50% of accrued sick leave paid, with a maximum of 800 hours paid out
Clerical, Public Works & Parks, and Supervisors hired before 12/21/05	75% of accrued sick leave paid, with a maximum of 800 hours paid out
Clerical, Public Works & Parks, and Supervisors hired after 12/21/05 and before 1/1/13	50% of accrued sick leave paid, with a maximum of 800 hours paid out
Clerical, Public Works & Parks, and Supervisors hired after 1/1/13	No vested payments of accrued sick leave
Police Sergeant employees hired before 12/12/06	75% of accrued sick leave paid, with a maximum of 800 hours paid out
Police Sergeant employees hired after 12/12/06 and before 1/1/13	50% of accrued sick leave paid, with a maximum of 800 hours paid out
Police Sergeant employees hired after 1/1/13	No vested payments of accrued sick leave

I. Long-Term Debt See Note 4, *Debt Service Requirements*.

J. Other Financing Sources or Uses

The City's *Other Financing Sources or Uses* consist of operating transfers-in and operating transfers-out. Other Financing Sources in the North Kelsey Development Fund are from the planned sale of city real estate.

K. Risk Management

The city of Monroe is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimit in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

L. Reserved Fund Balance

In 2012 the City Council adopted a formal reserve fund policy. The policy establishes recommended minimum reserve levels. Reserve should be adequate to moderate the impact of temporary fluctuations in the economy, manage risk and enhance external agencies' evaluation of the City's financial strength. The policy prescribes allowable uses of designated, reserved or restricted fund reserves. The targeted reserve balances are:

Fund	Target Reserve
General Fund	17% of budgeted operating expenditures
Contingency Fund	8% of General Fund operating expenditures
Risk Management Fund	1% of General Fund expenditure budget
Employee Sick Leave Reserve	1% of General Fund revenue budget added annually until liability is fully funded
Info Technology Services Fund	Amount equal to the greater of next year's "Info & Tech Replacement Plan" and the average of the next 3 years
Fleet & Equipment Management Fund	Amount equal to the greater of next year's "Fleet & Equipment Replacement Plan" and the average of the next 6 years
Facilities Management Fund	Amount equal to the greater of next year's "Facilities Replacement Plan" and the average of the next 6 years
Capital Improvement Projects Fund	0.42% fuel tax collected from previous year is added each year to the reserve
Water Fund	12% of budgeted operating expense
Water CIP Fund	1% of net fixed assets
Sewer Fund	12% of budgeted operating expense
Sewer CIP Fund	1% of net fixed assets
Stormwater Fund	12% of budgeted operating expense
Stormwater CIP Fund	1% of net fixed assets

Note 2 - Investments

The City's investments are either insured, registered or held by the City or its agent in the City's name. Investments are presented at cost. Investments by type at December 31, 2013 are as follows:

<u>Type of Investment</u>	① City's own investments	② Investments held by City as an agent for other local governments, individuals or private organizations.	③ Total
L.G.I.P.	\$ 6,232,660	\$0	\$ 6,232,660
U.S. Government Securities	<u>\$17,033,721</u>	<u>\$0</u>	<u>\$17,033,721</u>
Total	<u>\$23,266,381</u>	<u>\$0</u>	<u>\$23,266,381</u>

Note 3 - Property Tax

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month.

Property tax revenues are recognized when cash is received by the City. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City's regular levy for the year 2013 was \$1.45928122 per \$1,000 on an assessed valuation of \$1,349,715,977 for a total regular levy of \$1,969,615.

Note 4 – Debt Service Requirements

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2013.

The debt service requirements for general obligation bonds, revenue bonds, Public Works Trust Fund Loans and Department of Ecology Loans including both principle and interest, are as follows:

	General Obligation Debt	Revenue Debt	Other Debt	Total Debt
2013	\$7,523,027	\$1,922,917	\$684,455	\$10,130,399
2014	46,805	1,919,709	679,869	2,646,383
2015	4,116,805	2,017,948	675,282	6,810,035
2016	0	2,017,188	670,695	2,687,883
2017	0	2,034,815	666,108	2,700,924
2018 – 2022	0	9,558,510	2,966,609	12,525,119
2023 – 2027	0	6,359,449	0	6,359,449
2028 – 2031	0	4,655,700	0	4,655,700
2032	0	0	0	0
Totals	<u>\$11,686,637</u>	<u>\$30,486,236</u>	<u>\$6,343,018</u>	<u>\$48,515,891</u>

Note 5 - Pension Plans

Substantially all the City's full-time and qualifying part-time employees participate in the Public Employees' retirement System (PERS) Plans 1, 2 and 3 or Law Enforcement and Fire Fighters Retirement System (LEOFF) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

Note 6 - Other Disclosures

In 2010 the city issued LTGO bonds in the amount of \$11,345,000 to pay off the bank loan for the North Kelsey property. In 2012 the city refinanced \$6,500,000 of these bonds by issuing new bonds in the amount of \$6,570,000. The city's plan is to pay off these bonds with proceeds from the sale of land in the North Kelsey area. In 2013, the city paid off \$7,345,000 of these bonds from lands sales, and is actively marketing the remainder of the south portion of the North Kelsey area through a real estate broker.

In 2013 the city received \$609,021 from photo-enforcement revenues. Due to an advisory vote of the public, the city will be discontinuing photo-enforcement as of January 1, 2014. In 2013 the voters approved a 0.1% increase in the sales tax rate to be used for public safety purposes, which will take effect in 2014.

The city has a commitment to pay for post-employment benefits for employees that belong to LEOFF 1. These benefits include medical, vision, nursing care, prescriptions, and medical premiums. Four retirees received benefits during the year and \$12,922 was paid out for those benefits during the year.

In 2012 the Monroe City Council adopted an ordinance to create a transportation benefit district, with the same boundaries at the city limits. Per the ordinance, funding sources for this district can only be created through a vote of the citizens of Monroe, regardless of the type of revenue source. The board is comprised of whoever is the current residing city council members. There is currently no funding or activity for this district. In 2014 the citizens voted to impose a .2% sales tax to fund street related projects beginning in 2015.

SNOPAC (Snohomish County Police Staff and Auxiliary Services Center) is a 9-1-1 Public Safety Answering Point (PSAP) operating in Snohomish County, Washington. SNOPAC was formed in 1973. Prior to this time each public safety agency had their own 7-digit telephone numbers and dispatch center. 9-1-1 came to Snohomish County in 1976. Today SNOPAC provides emergency dispatch, communications and technical services to 37 Snohomish County agencies. The City of Monroe has contracted with SNOPAC since 1973. Their primary service to Monroe is to answer all 911 calls and dispatch appropriate police response. They also receive and log all radio traffic from the officers. In January 2013 the City contracted with SNOPAC to manage the laptops in the patrol vehicles. This is provided by their Technology department. There are 13 voting members on the SNOPAC board. The Monroe Police Chief is a voting member, and the Monroe Police Administration Bureau Director is an alternate if the Chief is not available.

REPORTING

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This fund is the primary operating fund of the City. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the City.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the City on a cost reimbursement basis.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others.

Agency Funds

These funds are used to account assets that the City holds for others in an agency capacity.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

In accordance with state law the City also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

C. Budgets

The City adopts annual appropriated budgets for all funds except Fiduciary Funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund 001	\$10,429,179	\$9,929,887	\$(499,292)
Contingency Fund 002	\$0	\$0	\$0
Donation Fund 008	\$6,000	\$5,087	\$(913)
Public Safety 800 MHz Equipment Fund 102	\$5,000	\$1,913	\$(3,087)
Street Fund 105	\$567,184	\$537,519	\$(29,665)
Transportation Concurrency Fund 106	\$0	\$0	\$0
Tourism/Lodging Tax Fund 109	\$81,634	\$44,009	\$(37,625)
Narcotics/Drug Buy Fund 114	\$64,765	\$35,170	\$(29,595)
Real Estate Excise Tax Fund 117	\$394,000	\$394,000	\$0
Public Safety 800 MHz Debt Fund 202	\$3,464	\$3,470	\$6
North Kelsey Debt Fund 203	\$6,954,440	\$6,932,752	\$(21,688)
General Capital Projects 307	\$8,000	\$7,317	\$(683)
Parks CIP Fund 317	\$177,342	\$72,663	\$(104,679)
Streets CIP Fund 318	\$1,338,156	\$812,375	\$(525,781)
North Kelsey Development Fund 319	\$11,236,352	\$10,958,919	\$(277,433)
Water Fund 411	\$3,774,654	\$3,608,046	\$(166,608)
Water CIP Fund 412	\$1,916,531	\$1,467,389	\$(449,142)
Sewer Fund 421	\$5,389,441	\$5,205,275	\$(184,166)
Sewer CIP Fund 422	\$7,915,546	\$5,775,849	\$(2,139,697)
Stormwater Fund 431	\$1,619,409	\$1,478,255	\$(141,154)
Stormwater CIP Fund 432	\$113,175	\$98,936	\$(14,239)
Solid Waste Fund 441	\$3,040,921	\$2,977,658	\$(63,263)
Revenue Bond Reserve Fund 450	\$0	\$0	\$0
Info Tech Services Fund 510	\$621,306	\$474,864	\$(146,442)
Fleet & Equipment Management Fund 520	\$916,573	\$682,404	\$(234,169)
Facilities Management Fund 530	\$1,157,759	\$1,047,976	\$(109,783)
Totals	\$57,730,831	\$52,551,733	\$(5,179,098)

Budgeted amounts are authorized to be transferred between departments within any fund or object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City's legislative body.

D. Cash

It is the City's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

E. Deposits

The City's deposits are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

F. Investments See Note 2, *Investments*.

G. Capital Assets

Capital assets are assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. The capital assets of the City are recorded as expenditures when purchased.

H. Compensated Absences

Upon separation or retirement, the amount of hours of accrued vacation payout are as follows:

Clerical, Public Works & Parks, Supervisors, Police Sergeants, and Non-represented employees	100 hours maximum paid
Police Guild	200 hours maximum paid

Upon separation or retirement, the amount of accrued sick leave paid out are as follows:

Non-represented employees hired before 1/1/13	75% of accrued sick leave paid
Non-represented employees hired after 1/1/13	No vested payments of accrued sick leave
Police Guild employees hired before 4/5/06	75% of accrued sick leave paid, with a maximum of 700 hours paid out
Police Guild employees hired after 4/5/06	50% of accrued sick leave paid, with a maximum of 800 hours paid out
Clerical, Public Works & Parks, and Supervisors hired before 12/21/05	75% of accrued sick leave paid, with a maximum of 800 hours paid out
Clerical, Public Works & Parks, and Supervisors hired after 12/21/05 and before 1/1/13	50% of accrued sick leave paid, with a maximum of 800 hours paid out
Clerical, Public Works & Parks, and Supervisors hired after 1/1/13	No vested payments of accrued sick leave
Police Sergeant employees hired before 12/12/06	75% of accrued sick leave paid, with a maximum of 800 hours paid out
Police Sergeant employees hired after 12/12/06 and before 1/1/13	50% of accrued sick leave paid, with a maximum of 800 hours paid out
Police Sergeant employees hired after 1/1/13	No vested payments of accrued sick leave

I. Long-Term Debt See Note 5, *Debt Service Requirements*.

J. Other Financing Sources or Uses

The City's *Other Financing Sources or Uses* consist of operating transfers-in and operating transfers-out, and refunding bond proceeds.

K. Risk Management

The city of Monroe is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 153 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimit in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

L. Reserved Fund Balance

In 2012 the City Council adopted a formal reserve fund policy. The policy establishes recommended minimum reserve levels. Reserve should be adequate to moderate the impact of temporary fluctuations in the economy, manage risk and enhance external agencies' evaluation of the City's financial strength. The policy prescribes allowable uses of designated, reserved or restricted fund reserves. The targeted reserve balances are:

Fund	Target Reserve
General Fund	17% of budgeted operating expenditures
Contingency Fund	8% of General Fund operating expenditures
Risk Management Fund	1% of General Fund expenditure budget
Employee Sick Leave Reserve	1% of General Fund revenue budget added annually until liability is fully funded
Info Technology Services Fund	Amount equal to the greater of next year's "Info & Tech Replacement Plan" and the average of the next 3 years
Fleet & Equipment Management Fund	Amount equal to the greater of next year's "Fleet & Equipment Replacement Plan" and the average of the next 6 years
Facilities Management Fund	Amount equal to the greater of next year's "Facilities Replacement Plan" and the average of the next 6 years
Capital Improvement Projects Fund	0.42% fuel tax collected from previous year is added each year to the reserve
Water Fund	12% of budgeted operating expense
Water CIP Fund	1% of net fixed assets
Sewer Fund	12% of budgeted operating expense
Sewer CIP Fund	1% of net fixed assets
Stormwater Fund	12% of budgeted operating expense
Stormwater CIP Fund	1% of net fixed assets

Note 2 - Investments

The City's investments are either insured, registered or held by the City or its agent in the City's name.

Investments are presented at cost.

Investments by type at December 31, 2012 are as follows:

<u>Type of Investment</u>	① City's own investments	② Investments held by City as an agent for other local governments, individuals or private organizations.	③ Total
L.G.I.P.	\$ 9,221,867	\$0	\$ 9,221,867
U.S. Government Securities	<u>\$11,033,270</u>	<u>\$0</u>	<u>\$11,033,270</u>
Total	<u>\$20,255,137</u>	<u>\$0</u>	<u>\$20,255,137</u>

Note 3 - Property Tax

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month.

Property tax revenues are recognized when cash is received by the City. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City's regular levy for the year 2012 was \$1.33492381 per \$1,000 on an assessed valuation of \$1,470,214,608 for a total regular levy of \$1,962,624.

Note 4 - Interfund Loans

The following table displays interfund loan activity during 2012:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 1/1/2012</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/2012</u>
N.Kelsey Developmt.	General	<u>\$0</u>	<u>\$100,000</u>	<u>\$100,000</u>	<u>\$0</u>
	TOTALS	<u>\$0</u>	<u>\$100,000</u>	<u>\$100,000</u>	<u>\$0</u>

Note 5 – Debt Service Requirements

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2012.

The debt service requirements for general obligation bonds, revenue bonds, Public Works Trust Fund Loans and Department of Ecology Loans including both principle and interest, are as follows:

	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Other Debt</u>	<u>Total Debt</u>
2012	\$ 162,358	\$ 2,006,093	\$ 689,042	\$ 2,857,493
2013	178,027	1,922,912	684,455	2,785,394
2014	178,027	1,919,709	679,869	2,777,605
2015	11,593,027	2,017,948	675,282	14,286,257
2016		2,017,188	670,695	2,687,883
2017 – 2021		10,155,544	3,044,802	13,200,347
2022 – 2026		6,635,724	587,915	7,223,640
2027 – 2031		5,817,206		5,817,206
TOTALS	<u>\$12,111,438</u>	<u>\$32,492,324</u>	<u>\$7,032,060</u>	<u>\$51,635,822</u>

Note 6 - Pension Plans

Substantially all the City's full-time and qualifying part-time employees participate in the Public Employees' retirement System (PERS) Plans 1, 2 and 3 or Law Enforcement and Fire Fighters Retirement System (LEOFF) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

Note 7 - Other Disclosures

In 2010 the city issued LTGO bonds in the amount of \$11,345,000 to pay off the bank loan for the North Kelsey property. In 2012 the city refinanced \$6,500,000 of these bonds by issuing new bonds in the amount of \$6,570,000. The city plans to pay off these bonds with proceeds from the sale of land at the North Kelsey area. The city has a signed purchase and sale agreement for the north portion where a Wal-Mart will be built, which has an expiration date of 6/30/13, with four 3-month extension options. The city sold a large portion to the south to Nexcore, Inc. on October 31, 2012, and is actively marketing the remainder of the south portion through a real estate broker.

The city has a commitment to pay for post-employment benefits for employees that belong to LEOFF 1. These benefits include medical, vision, nursing care, prescriptions, and medical premiums. Three retirees received benefits during the year and \$15,573 was paid out for those benefits during the year.

In 2012 the Monroe City Council adopted an ordinance to create a transportation benefit district, with the same boundaries at the city limits. Per the ordinance, funding sources for this district can only be created through a vote of the citizens of Monroe, regardless of the type of revenue source. The board is comprised of whoever is the current residing city council members. There is currently no funding or activity for this district.

SNOPAC (**S**nohomish County **P**olice Staff and **A**uxiliary Services **C**enter) is a 9-1-1 Public Safety Answering Point (PSAP) operating in Snohomish County, Washington. SNOPAC was formed in 1973. Prior to this time each public safety agency had their own 7-digit telephone numbers and dispatch center. 9-1-1 came to Snohomish County in 1976. Today SNOPAC provides emergency dispatch, communications and technical services to 37 Snohomish County agencies. The City of Monroe has contracted with SNOPAC since 1973. Their primary service to Monroe is to answer all 911 calls and dispatch appropriate police response. They also receive and log all radio traffic from the officers. In January 2013 the City contracted with SNOPAC to manage the laptops in the patrol vehicles. This is provided by their Technology department. There are 13 voting members on the SNOPAC board. The Monroe Police Chief is a voting member, and the Monroe Police Administration Bureau Director is an alternate if the Chief is not available.

City of Monroe
Schedule of Liabilities
For Year Ended December 31, 2013

MCAG 0685

Schedule 09

ID. No.	Description	Maturity/Payment Due Date	Beginning Balance 01/01/2013	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Balance 12/31/2013
251.11	2010 LTGO Bonds - N. Kelsey	11/1/2015	\$ 4,845,000		\$ 4,845,000	59173	\$ -
251.11	2012 GO Refunding Bonds - N. Kelsey	11/1/2015	\$ 6,570,000		\$ 2,500,000	59173	\$ 4,070,000
263.82	Public Works Trust Fund Loan	7/1/2017	\$ 313,973		\$ 62,794	59134	\$ 251,179
263.82	Public Works Trust Fund Loan	7/1/2022	\$ 1,351,444		\$ 135,144	59134	\$ 1,216,300
263.82	Department of Ecology Loan	9/5/2022	\$ 3,436,194		\$ 320,976	59135	\$ 3,115,218
263.82	Department of Ecology Loan	7/30/2022	\$ 728,457		\$ 68,042	59135	\$ 660,415
252.11	2005 W&S Refunding Bonds	12/1/2021	\$ 3,182,000		\$ 77,000	59138	\$ 3,105,000
252.11	2009 W&S Refunding Bonds	8/1/2024	\$ 3,440,000		\$ 400,000	59138	\$ 3,040,000
252.11	2011 W/S/Storm Revenue Bonds	12/1/2031	\$ 14,945,000		\$ 580,000	59138	\$ 14,365,000
259.11	Compensated Absences	varies	\$ 1,716,441	\$ 160,445		n/a	\$ 1,876,886

City of Monroe
Schedule of Liabilities
For Year Ended December 31, 2012

Schedule 09

MCAG 0685

ID. No.	Description	Maturity/Payment Due Date	Beginning Balance 01/01/2012	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Balance 12/31/2012
251.11	2010 LTGO Bonds - N. Kelsey	11/1/2015	\$ 11,345,000		\$ 6,500,000	5911971	\$ 4,845,000
251.11	2012 GO Refunding Bonds - N. Kelsey	11/1/2015		\$ 6,570,000		5911971	\$ 6,570,000
263.82	Public Works Trust Fund Loan	7/1/2017	\$ 376,767		\$ 62,794	5823478	\$ 313,973
263.82	Public Works Trust Fund Loan	7/1/2022	\$ 1,486,588		\$ 135,144	5823478	\$ 1,351,444
263.82	Department of Ecology Loan	9/5/2022	\$ 3,752,409		\$ 316,215	5823478	\$ 3,436,194
263.82	Department of Ecology Loan	7/30/2022	\$ 795,486		\$ 67,029	5823478	\$ 728,457
252.11	2005 W&S Refunding Bonds	12/1/2021	\$ 3,343,000		\$ 161,000	5823472	\$ 3,182,000
252.11	2009 W&S Refunding Bonds	8/1/2024	\$ 3,820,000		\$ 380,000	5823572	\$ 3,440,000
252.11	2011 W/S/Storm Revenue Bonds	12/1/2031	\$ 15,260,000		\$ 315,000	5823572	\$ 14,945,000
259.11	Compensated Absences	varies	\$ 1,774,430		\$ 57,989	n/a	\$ 1,716,441

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
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Website	www.sao.wa.gov